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Inventing New Taxes

THERE was an Oriental despot once who made a standing offer of a handsome prize for the invention of a new tax. In pre-war Turkey, it would certainly require genius to think up a really new way of getting more money out of the pockets of the people and into the national treasury. This Sultan went on the simple assumption that the more the taxes the larger would be the revenue. But in actual practice it turned out that as taxes were multiplied the revenue became smaller and beautifully less. This, of course, was simply incidental to the decreasing wealth and productiveness of the people in proportion to the increase of tax burdens. With consequent discouragement of industry and enfeeblement of the poverty-stricken workers, even floggings this year, following the selling up of the peasant's cows and pigs and the mechanic's tools and garlic patch last year, failed to produce piastres for the Sultan's purse.

Oriental statesmen are slow to learn the unwisdom of killing the goose that lays the golden eggs. Are western politicians any wiser? Crude indeed is the political philosophy which seeks to solve the problem of providing increased revenue by inventing new taxes and piling up old ones, regardless of the effects of any particular tax on the country's wealth and prosperity as a whole. That was one fallacy of the era of high protective tariffs. The higher the tariff the lower fell the revenue, while the cost of living for the masses was increased out of all proportion to any increase in the average wages earned, and the whole system became a notorious source of political corruption.

Another flagrant example of this Turkish idea is the peace-time continuance of the excess profits tax, which was at first tolerated only as a temporary war emergency measure. Waking up to the fact that it is a drag on all business, and so a drain on the sources of revenue, our legislators now seem to be trying to think up something to take its place. One sapient suggestion is that of a capital levy; that is, the "lifting" of from 10 to 20 per cent of the total capital of the country from its present owners. Blindness is shown to the fact, apparent to any man looking beyond the end of his nose, that such a levy would seriously diminish the productive capacity of the people and stunt the growth of industry.

Another scheme which bears a suspicious family resemblance to this Turkish plan is suggested by a Treasury "expert," Dr. Thomas S. Adams, chairman of the advisory tax board of the department, and it is reported as likely to have strong support in Congress. This plan would place a tax of from 10 to 20 per cent on undistributed earnings of corporations. Dr. Adams favors the 20 per cent rate, which he calculates would yield about \$190,000,000, as against an anticipated loss of \$450,000,000 from the repeal of the excess profits tax. He also estimates that the additional revenue from the application of the surtax rates to "dividends distributed by the corporations to avoid the 20 per cent undistributed profits tax" would amount to \$500,000,000, making a total of nearly \$700,000,000 additional revenue which would be derived from this tax. Well, a tax deliberately designed to provoke tax-dodging as a basis for a surtax on the dodge would certainly capture the Sultan's prize.

Then there is Representative Bacarach, a member of the Ways and Means Committee, who favors a tax of one per cent on all retail sales. He also favors the Adams scheme, but thinks that 10 per cent on undistributed corporation earnings would be enough, if his surtax on sales is adopted. That means that the ultimate consumer would be forced to give up an additional dollar on every \$100 he now spends for the

clothing, feeding, education and happiness of his family, on top of all the present extra taxes he pays on cigars and ice cream sodas, movie and theater or concert admissions, tooth-paste and shaving soap, continuing also, if he is a stockholder, to pay the tax on distributed earnings.

Chairman Fordney, of the House Ways and Means Committee, favors, instead of this undistributed earnings tax (which he sees "would retard necessary additions to working capital"), a flat tax on corporation earnings. The man up a tree will scratch his head in vain to find out how such a flat tax would increase needed additions to capital.

All these schemes, of course, leave out of account the one-third of our total Federal expenditure of some six billions yearly that might be saved by the cutting in half of naval and military estimates—a reduction which would still leave our war costs heavier than they ought to be for a non-militaristic republic on a peace basis. Our statesmen, in fact, seem to have entirely lost sight of the wholesome axiom that taxation should be limited to the actual requirements of the government economically administered.

This whole discussion, however, will have served one good purpose if it rouses people generally to some live thinking on the subject of taxation.

Is it possible to levy a tax which, while affording sufficient revenue, is at the same time just, dodger-proof, easily collected, sure to encourage rather than discourage enterprise and industry and to help rather than hinder and burden the masses of the people—so contributing to the genuine progress and prosperity of the country as a whole?

Why a Budget?

UNITED STATES is the only nation of first rank in the world which has yet to adopt the budget plan in the formulation of annual estimates of its income and expenditures. Each of the ten departments of the Federal Government makes up its own estimates of its requirements independently, bureau heads submitting special bureau requirements to department heads, the department heads submitting these estimates to the President and he, in turn, submitting the estimates to Congress. Then they go to the committees on appropriations in each house, and after hearings and examinations are reported back for action in the shape of a jumble of separate appropriation bills. There is utter lack of co-ordination in the matter; the whole thing is piecemeal and fragmentary. Neither Congress nor the people at large are permitted such definite and coherent presentation of the facts as is essential to the formation of an intelligent judgment on the wisdom and advisability of proposed expenditures of the people's money.

Much mystery has been made about this whole matter. The commission appointed by President Taft, more than a dozen years ago, to investigate the subject and present a modern budget plan embodied its recommendations and their bases in four huge volumes calculated to puzzle a Philadelphia lawyer. Despite the repeated efforts of Presidents Roosevelt, Taft and Wilson to procure the enactment of a budget law and despite the almost unanimous demand of the commercial organizations and the press, Congress after Congress has "played horse" with the proposition. So gross was the mockery of the whole principle and purpose of a budget in the measure passed by the last Congress in its closing months, and so palpable its sham and pretence of acceding to the people's demand, that President Wilson was obliged to veto the bill.

Let it be understood that the making of a national budget means simply the cutting of one's coat according to one's cloth. There is nothing occult or difficult about it. Both the British and the French systems offer useful models easily adaptable to American conditions. For that matter, there is not a large industrial establishment in the country that could not furnish such a working model. Let the Secretary of the Treasury shoulder the responsibility of "cutting the coat"; of intelligently comparing and rightly relating one item with another, co-ordinating all the items and plainly setting forth the total sum required to meet this total expenditure, with his propositions as to how it should be raised and the increase or decrease of this tax or that tax involved. Let him support and defend his budget on a stated day in open session of the House of Representatives assembled as a committee of the whole on the state of the nation. Let him answer questions which representatives will have had opportunity to prepare by previous study and examination of the budget.

After such a focusing of the fierce light of public discussion on the budget as a whole and on its outstanding features, Congress will be unlikely to indulge in log rolling and in "pork barrel" appropriations.

The Right to Strike

IN THE controversy provoked by the attack of the United Mine Workers of Kansas on the industrial court of that state the issues seem to have been confused by unfortunate appeals to class bias.

The Kansas labor leader declares that the law itself is "an infringement on the sacred rights of every honest working man in the state of Kansas, an insult to every man who believes in the principles of liberty and justice . . . and the beginning of a movement intended to enslave the working class of America."

There would have been no possibility of enacting the law that created the tribunal now complained of, if the leaders of the miners' union had not forgotten that every right, whether of an individual or a group, carries with it corresponding responsibility. The ancient maxim of the Roman law that "a man must so use his own as not to injure another," applies to the exercise of rights as well as to the use or misuse of property. It applies to employers and to employees equally.

When the Kansas miners struck in 1919, refusing all discussion and negotiation of their ultimatum, tying up the railroads and the factories and exposing little children and sick people in the hospitals to the suffering and possible death from freezing in mid-winter weather, they showed a reckless disregard of the rights of the public. If the mine operators, in refusing the demand of the miners, were guilty of similar disregard of the rights and welfare of the public, out of wanton and selfish regard for their own pockets only, then they also exceeded the limits of their rights. "Freedom of contract" is violated by the use of compulsion on either side.

It may be, as the labor leaders assert, that the Industrial Court in actual practice has discriminated in favor of capital in such matters as the granting of increased rates to public utilities and the refusal of wage increases. The court is an experiment, and if time has developed flaws and faults in its constitution and working, then the law creating it should be amended. The important matter is that a public tribunal free from bias on one side or the other and empowered to hear and determine disputes between employers and employees, substituting reason and justice for force and violence, is a step in the right direction. The justifiableness of any strike is a question that should be left to the arbitration of an impartial tribunal likely to take into account the rights of the public as well as the rights of the workers and of their employers.

The Anomaly of Aristocracy

MUCH wonder and surprise is excited by the spectacle of a scion of royalty in overalls doing a useful job of work. Even in this land of the free in which honest work is no disgrace to any man or woman, much is made in the papers of the fact that, in various capitals of Europe, former princes and princesses, generals and admirals are now earning their bread as porters, peddlers, waiters, waitresses, flower sellers and newspaper vendors and even as bootblacks and teachers of languages.

For the most part, we seem to look upon an aristocrat obliged to share the lot of common humanity by earning his bread in the sweat of his own brow, rather than that of other men's brows, as an anomaly—stranger and more incredible than was the circus giraffe to the farmer in the old story.

From an enlightened American point of view, the aristocrat satisfied to live a life without useful work and to fritter away his God-given birthright of brain and brawn in wasteful, frivolous and inane loafing; spending his time and his energies on the fashionable routine of balls, dances, dinners and jazz generally, should be the anomaly—the freak. And the freakishness is increased when the pseudo-aristocrat who so separates himself from share in the common human life, choosing to become a parasite instead of a producer, lays the flattering unction to his soul that, because of inherited title or wealth, he is somehow entitled to regard himself as superior to other people. He labors under the insane delusion that idleness, not industry, is honorable.

Of course, the only real aristocracy is the aristocracy of worth proven in service. If these "nobles" whose hard fate the world is asked to pity, have found out how little do blood and titles count when it comes down to the realities of life, their experience will be worth all it cost them. They may at last develop through useful work into "nature's noblemen."

And perhaps the lesson should not be lost on those foolish Americans the height of whose ambition is to marry off their daughters to European title-holders.